

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE**  
**INVESTMENT COMMITTEE MEETING**  
**MINUTES OF DECEMBER 6, 2007**

1. **Call to Order**

Chairman Sarah Peck called the meeting to order at 2:45 p.m. in Room 203-R of the Milwaukee County Courthouse, 901 N. 9<sup>th</sup> St., Milwaukee, Wisconsin 53233.

2. **Roll Call**

Members Present:

Sarah Peck, Chairman  
Dean Roepke  
Linda Bedford

Others Present:

Mark Grady, Principal Assistant Corporation Counsel  
David Arena, Director of Employee Benefits, Department of Administrative Services  
Gordon Mueller, Fiscal Officer, ERS  
Kristin Finney-Cooke, Mercer Investment Consulting Inc. (by phone)  
Patrick Silvestri, Mercer Investment Consulting Inc. (by phone)

3. **Mid-cap value managers to replace Hotchkis and Wiley**

Ms. Finney-Cooke stated that Mercer had reviewed all Mid-Cap Value Managers that they rate as A or A-. There were five firms recommended for review, but only four with open strategies. The Committee requested that Mercer prepare a detailed book or review of the four companies for the January Committee meeting. Mr. Roepke noted that the Board had agreed to transition the funds to I-shares and therefore there was time to conduct a diligent search process. Ms. Finney-Cooke stated that Mercer was still in the process of identifying a company to handle the purchase of the I-shares and that Mellon states that they do not do such transactions.

Ms. Bedford asked whether there was any overlap of the four candidates with current managers and Ms. Finney-Cooke stated that Artisan was the only overlap. Artisan manages their mid-cap strategy out of the same Atlanta office as the growth strategy. The Committee discussed whether

ERS should have fewer managers or whether fewer managers would result in too much consolidation in a manager and whether cost-savings could be achieved by using Artisan. The Committee agreed to evaluate these factors as well as qualitative and quantitative measures to be provided by Mercer in the detailed book.

Mr. Roepke asked Mercer to also consider and report on whether there was continuing merit to investment by style.

Ms. Finney-Cooke identified the four candidates as follows:

- Ark Asset Mgt., New York, \$702 million, A rated
- Artisan, Atlanta, \$4.2 billion, A rated
- Barrow, Hanley, Mewhinney & Strauff, Dallas, \$4.8 billion, A-rated
- Wedge Capital Mgt., Charlotte, \$1.7 billion, A rated

4. **Asset Allocation.**

Ms. Finney-Cooke stated that the asset allocation was last reviewed in mid-year of 2005 and that Mercer typically recommends a review every three to five years. Therefore, Mercer recommends that ERS begin a review of the asset allocation no sooner than the fall of 2008 or early 2009. Mercer stated that they would first discuss ERS liabilities with the actuary, would then look at the various asset classes, the appropriate level of risk for ERS and then would examine various market scenarios for various allocations. The Committee agreed that asset allocation should be reviewed in late 2008 or early 2009.

5. **Future Topics.**

The Committee asked Mercer to consider alternative investment topics that they or other persons could provide education on, especially in anticipation of the asset allocation review.

The Committee requested that Mercer review the response received from Mellon regarding current securities lending practices and provide a

summary report at the board meeting on December 19, 2007, including recommendations for future changes in practices, if any.

6. **Adjournment.**

The meeting was adjourned at 3:25 p.m.

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Submitted by Mark A. Grady